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July 29, 1997

Karen A. Melfi  
Summo USA Corporation  
900 Denver Center Building  
1776 Lincoln Street  
Denver Colorado 80203

RE: Lisbon Valley Project-Reclamation Contract

Dear Ms. Melfi,

I am writing you this letter to clarify the position of the Division of Oil, Gas and Mining ("the Division") on the transfer of assets from Summo USA Corporation ("Summo") to Lisbon Valley Mining Co. LLC ("Lisbon Valley"). Under our rules "'operator' means any natural person, corporation, association, partnership, receiver, trustee, executor, administrator, guardian, fiduciary, *agent*, or other organization or representation of any kind, either public or private, *owning*, controlling *conducting* or *managing* a mining operation or proposed mining operation." Utah Admin. Code R647-1 (emphasis added).

Consequently, despite the fact that Summo has transferred the mine assets to Lisbon Valley it continues to be an operator under our rules because it is an agent of Lisbon Valley, and because Summo is conducting or managing a mining operation. Thus, Summo will still retain reclamation

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responsibilities at the mine site. With the transfer of assets, Lisbon Valley is an operator because it owns the mining operation. In effect, the transfer of assets creates two operators where there was one. The Division believes that both the reclamation contract and the surety should reflect this new reality.

The Division needs a new reclamation contract signed by both companies. Additionally, it needs a surety which will protect the State of Utah in the event of a default by either operator. However, the bond amount will not change because the Division will not require double bonding.

If Summo and Lisbon Valley can comply with the Division's request, the Division's position is that as long as Summo continues to assume reclamation responsibility new surety approval is not needed from the Board. The inclusion of Lisbon Valley on the reclamation contract and bond can only improve the probability of final reclamation. Despite this, because the type of change requested by Summo does not neatly fit in the surety changes delegated to the Division Director, the Board will be notified of the change. However, no public notice or new objection period will be triggered. I have enclosed a copy of the Board's directive on surety changes to clarify this position.

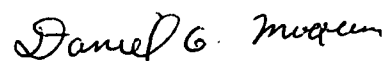
If Summo and Lisbon Valley cannot comply with the above requests, they will have to bring the surety change before the Board of Oil, Gas and Mining ("the Board") for its approval. Under the

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Board's policy for surety changes, the change in the operator would require Board approval. Additionally, there would have to be public notice of the surety change with a period for objections. Any written objections of substance would trigger a hearing by the Board.

If there are any other questions please phone me at (801) 538-7227 or fax me at (801) 538-7440.

Yours truly,

A handwritten signature in cursive script that reads "Daniel G. Moquin".

Daniel G. Moquin  
Assistant Attorney General